

**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
EDMONSON COUNTY FISCAL COURT

June 30, 2005

The Auditor of Public Accounts has completed the audit of the Edmonson County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$3,311,372 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,490,766 in its governmental activities as of June 30, 2005, with total net assets of \$3,203,212. In its enterprise fund, total net cash and cash equivalents were \$32,640 with total net assets of \$108,160. The fiscal court had total debt principal as of June 30, 2005 of \$1,368,182 with \$265,197 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities and bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable N. E. Reed, Edmonson County Judge/Executive
Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Edmonson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Edmonson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Edmonson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edmonson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2006 on our consideration of Edmonson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 23, 2006

EDMONSON COUNTY OFFICIALS

June 30, 2005

Fiscal Court Members:

N. E. Reed	County Judge/Executive
Arnold Graham	Magistrate
Willie Lindsey	Magistrate
Arthur "Tom" Wilkerson	Magistrate
Charles "Edd" Rich	Magistrate
Johnny Brooks	Magistrate
Neil Vincent	Magistrate

Other Elected Officials:

Greg Vincent	County Attorney
Bruce Logsdon	Jailer
Larry "Butch" Carroll	County Clerk
Sharon French	Circuit Court Clerk
B. J. Honeycutt	Sheriff
Benton Cowles	Property Valuation Administrator
Ed Minyard	Coroner

Appointed Personnel:

Betty Ann Bullock	County Treasurer
Margret Skaggs	Finance Officer

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Management's Discussion and Analysis

June 30, 2005

The financial management of Edmonson County, Kentucky offers readers of Edmonson County's financial statements this narrative overview and analysis of the financial activities of Edmonson County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

Financial Highlights:

- Edmonson County had net assets of \$3,311,372 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,490,766 in the governmental activities as of June 30, 2005, with total net assets of \$3,203,212. In the enterprise fund, cash and cash equivalents were \$32,640 with total assets of \$108,160. Total debt principal as of June 30, 2005 was \$1,368,182 with \$265,197 due within one year.
- The governmental activities' total net assets increased by \$270,511 from the prior year. This increase is primarily due to \$153,715 received from Administrative Office of Courts to cover cost of replacing the Courthouse windows.
- At the close of the current fiscal year, Edmonson County governmental funds reported current assets of \$1,644,481. Of this amount, \$1,436,744 is available for spending at the government's discretion (unreserved fund balance).

Edmonson County's total indebtedness at the close of fiscal year June 30, 2005 was \$1,368,182, of which \$1,102,985 is long-term (due after 1 year) and \$265,197 is short-term (to be paid within 1 year). Debt additions were \$1,465,000, and debt reductions were \$1,378,442 for a net increase of \$86,558 for the year.

Overview of the Financial Statements:

This management discussion and analysis is intended to serve as an introduction to Edmonson County's basic financial statements. Edmonson County's basic financial statements are comprised of three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of Edmonson County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Edmonson County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Edmonson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Edmonson County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, capital projects, and administration. Edmonson County has one business type activity – Public Properties Corporation which is the Courthouse Annex Bonds.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Edmonson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Edmonson County can be divided into three broad categories: *governmental, proprietary, and fiduciary*.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Governmental Funds: (Continued)

Edmonson County maintains (6) six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances.

Major Funds:

- General Fund
- Road Fund

Non-major Funds:

- Jail Fund
- Local Government Economic Assistance Fund (LGEA)
- Community Development Block Grant Fund (CDBG)
- Parks and Recreation Fund

Edmonson County adopts an annual appropriated budget. A budgetary comparison statement has been provided for each of the major funds, the General Fund and Road Fund, to demonstrate compliance with their budgets.

Proprietary Funds: Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Edmonson County Public Properties Corporation.

Fiduciary Funds Financial Statements. These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Room Tax Fund.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Net Assets: As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

TABLE 1
EDMONSON COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current and other assets	\$ 1,611,246	\$ 1,821,305	\$ 239,752	\$ 32,640	\$ 1,850,998	\$ 1,853,945
Receivables	70,970	45,866			70,970	45,866
Net Capital Assets	1,317,109	1,564,223	1,241,080	1,215,520	2,558,189	2,779,743
Total Assets	<u>\$ 2,999,325</u>	<u>\$ 3,431,394</u>	<u>\$ 1,480,832</u>	<u>\$ 1,248,160</u>	<u>\$ 4,480,157</u>	<u>\$ 4,679,554</u>
Liabilities						
Current and other Liabilities	\$ 23,442	\$ 205,197	\$ 40,000	\$ 60,000	\$ 63,442	\$ 265,197
Long-term Liabilities	43,182	22,985	1,175,000	1,080,000	1,218,182	1,102,985
Total Liabilities	<u>\$ 66,624</u>	<u>\$ 228,182</u>	<u>\$ 1,215,000</u>	<u>\$ 1,140,000</u>	<u>\$ 1,281,624</u>	<u>\$ 1,368,182</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 1,321,455	\$ 1,558,731	\$ 26,080	\$ 75,520	\$ 1,347,535	\$ 1,634,251
Restricted		153,715	239,752	32,640	239,752	186,355
Unrestricted	1,611,246	1,490,766			1,611,246	1,490,766
Total Net Assets	<u>\$ 2,932,701</u>	<u>\$ 3,203,212</u>	<u>\$ 265,832</u>	<u>\$ 108,160</u>	<u>\$ 3,198,533</u>	<u>\$ 3,311,372</u>

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Changes in Net Assets:

TABLE 2
EDMONSON COUNTY'S CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Program Revenues						
Charges for						
Services	\$ 99,962	\$ 84,857	\$ 104,180	\$ 52,090	\$ 204,142	\$ 136,947
Grants &						
Contributions	1,755,033	1,940,613			1,755,033	1,940,613
General Revenues						
Taxes	686,248	675,075			686,248	675,075
Miscellaneous &						
Other	225,687	308,802	8,951	38,179	234,638	346,981
Total Revenue	<u>\$ 2,766,930</u>	<u>\$ 3,009,347</u>	<u>\$ 113,131</u>	<u>\$ 90,269</u>	<u>\$ 2,880,061</u>	<u>\$ 3,099,616</u>
Expenses						
General						
Government	\$ 1,090,175	\$ 1,035,651	\$	\$	\$ 1,090,175	\$ 1,035,651
Protection to						
Persons &						
Property	423,923	333,169			423,923	333,169
General Health						
and Sanitation	118,070	130,733			118,070	130,733
Social Services	53,767	12,553			53,767	12,553
Recreation and						
Culture	298,643	333,946			298,643	333,946
Roads	506,737	889,541			506,737	889,541
Debt Service	255,577	3,243			255,577	3,243
Capital Projects	48,590				48,590	
Public Properties						
Corporation			95,757	247,941	95,757	247,941
Total Expenses	<u>\$ 2,795,482</u>	<u>\$ 2,738,836</u>	<u>\$ 95,757</u>	<u>\$ 247,941</u>	<u>\$ 2,891,239</u>	<u>\$ 2,986,777</u>
Change In Net						
Assets	\$ (28,552)	\$ 270,511	\$ 17,374	\$ (157,672)	\$ (11,178)	\$ 112,839
Net Assets -						
Beginning	2,961,253	2,932,701	248,458	265,832	3,209,711	3,198,533
Net Assets -						
Ending	<u>\$ 2,932,701</u>	<u>\$ 3,203,212</u>	<u>\$ 265,832</u>	<u>\$ 108,160</u>	<u>\$ 3,198,533</u>	<u>\$ 3,311,372</u>

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Changes in Net Assets: (Continued)

Governmental Activities. Edmonson County's net assets increased by \$270,511 in fiscal year 2005. Key elements of this are as follows:

- Current cash increased \$153,715 due to Administrative Office of the Courts, Commonwealth of Kentucky, forwarding the money for the replacement of the Courthouse windows.

Financial Analysis of County's Funds: As noted earlier, Edmonson County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview: The focus of Edmonson County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2005 fiscal year, the combined ending fund balances of County governmental funds were \$1,644,481. Approximately 87% (\$1,436,744) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$207,737) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

The County has (2) two major governmental and (4) four non-major funds.

Major Funds:

- General Fund
- Road Fund

Non-major Funds:

- Jail Fund
- Local Government Economic Assistance Fund
- Community Development Block Grant Fund
- Parks and Recreation Fund

1. The General Fund is the chief operating fund of Edmonson County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$876,764. The County received \$675,075 in real and personal property, motor vehicle, and other taxes for approximately 38% of the county's general revenues. Intergovernmental revenues and various other service fees and miscellaneous revenues contribute to the remaining 62% of revenues. The General Fund expenditures for fiscal year 2005 were \$1,459,724.
2. The Road Fund is the fund related to County road construction and maintenance. The Road Fund had \$534,465 fund balance at June 30, 2005. The fiscal year 2005 expenditures for the Road Fund were \$1,393,038. Expenditures increased due to receiving \$200,000 from the Transportation Cabinet, which was spent on roads and the purchase of three Mack Trucks for \$264,120.

**Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of County's Funds:

Governmental Funds Overview: (Continued)

3. The Jail Fund is used to pay for expenses pertaining to our prisoners such as, housing, medical bills, transportation, and various supporting expenses. The Jail Fund received \$45,096 from State allotments, court costs, and DUI fees, and \$19,907 from prisoner reimbursements. The General Fund also contributed \$140,000 to the Jail Fund. Expenditures for the fiscal year 2005 were \$209,905. Expenditures decreased due to a reduction in cost of prisoner medical services.
4. The Local Government Economic Assistance Fund (LGEA) is money received from mineral severance tax and distributed to the counties by the State Treasury. These funds can only be spent for specific purposes set forth by the state. The Local Government Economic Assistance Fund had a fund balance of \$47,698 as of June 30, 2005. The county received \$21,074 from Mineral Severance and \$1,445 from interest. Expenditures increased due to increased spending on Park Renewals and Repairs.
5. The Community Development Block Grant Fund (CDBG) had a balance of \$66,476 as of June 30, 2005. These funds were recaptured from a CDBG loan to Whitewood Industries located in Edmonson County. These funds are restricted to approved Industrial Development projects.
6. The Parks and Recreation Fund is used to pay expenses pertaining to our recreational parks. The Parks and Recreation Fund had a balance of \$49,478 as of June 30, 2005. This fund is supported by revenues received from a Recreation Tax. The revenues from this tax are managed by the Recreation Tax Commission. We also have received several grants, which have allowed us to make huge improvements to our parks. The reduction in the year-end balance is due to the spending of grant money.

Proprietary Funds Overview: The County's proprietary funds statements provide the same type of information found in the government-wide statements, but in more detail.

The Public Properties Corporation (PPC) is our only Proprietary Fund. The PPC was set up to handle the bonds sold to generate the funds for the construction of the Courthouse Annex. All payments to this fund are made by Administrative Office of the Courts, Commonwealth of Kentucky, and no county funds are used to pay off this debt.

General Fund Budgetary Highlights: Edmonson County's budget was amended during the fiscal year increasing the General Fund budgeted amount by \$183,176. The amendments included \$46,586 in grants, \$43,013 tax receipt increase, Disaster and Emergency Services & Federal Emergency Management Assistance Reimbursements of \$26,497, former Sheriff Holder settlement of \$9,271, Mediacom payment of \$16,338, and reimbursements from KACO Interest Rebates, LGEDF, and Insurance Claims totaling \$41,471.

The General Fund ended the year with \$938,727, which is an increase of \$315,725 over the 2004 fiscal year end balance. This amount included \$153,715 sent to the Court to cover the cost of replacing the Courthouse windows. This balance also includes \$67,924 in LGEDF funds, which can only be used for Economic Development with approval from the proper authorities. Another reason for the increase in the year-end total is the reduction in the amount the General Fund supplemented the Jail Fund in fiscal year 2005.

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Road Fund's Budgetary Highlights: Amendments increased the Road Fund budget by \$283,473. This included \$200,000 from the Transportation Cabinet, \$54,522 County Road Aid, \$7,951 Truck License, and \$21,000 from Prior Year Carryover. The Road Fund's 2005 year-end balance was \$534,465. This was a decrease of \$113,254 from the 2004 year-end balance. This was due to the purchase of a truck, tractor, and mowtrim for the Road Department. Road Fund money is restricted money that can only be used for road construction and maintenance and for the operation of the road department.

Jail Fund's Budgetary Highlights: Amendments increased the Jail Budget by \$16,400, which was due to Court Costs supplement and Prisoner reimbursements. Expenditures decreased from 2004 by \$36,086 due to a decrease in medical expenses and housing prisoners.

Local Government Economic Assistance Fund's (LGEA) Budgetary Highlights: Amendments increased the LGEA Budget by \$6,100 from Mineral Severance money. LGEA Fund ended 2005 with \$47,698, which was a decrease of \$1,824 from 2004. The decrease was due to adding rental space for Senior Citizens services.

Community Development Block Grant Fund's (CDBG) Highlights: The CDBG Fund balance for 2005 was \$66,476, which was an increase of \$5,862 over 2004 balance due to interest income. This CDBG money was reclaimed from White Wood Manufacturing Company and can only be used for economic development with special permission from the Proper authorities.

Parks & Recreation Fund's Budgetary Highlights: The Parks & Recreation Fund ended 2005 with a balance of \$49,478. This balance showed a decrease of \$168,438 from the 2004 balance. This decrease was due to the expending of a grant received in a previous fiscal year. The Parks & Recreation Department has used several grants to improve our parks tremendously. We now have two parks with ball fields, basketball courts, and tennis courts. Brownsville Park also has new playground equipment. The improvements that have been made to the parks have been accomplished with grant money. The Parks and Recreation Fund receives funds from the Recreation Tax Commission each year to cover salaries and maintenance expenses.

Room Tax Fund's Budgetary Highlights: The Room Tax Fund ended with a \$0 balance. This is due to the Room Tax money being turned over to the Tourism Commission at the end of each quarter. Receipts for the 2005 fiscal year was \$41,164, which was a decrease of \$2,648 from 2004 receipts. The decrease was caused by fewer room rentals. The county does not spend any of this money. It is immediately turned over to the Tourism Commission to be spent on promoting tourism for Edmonson County.

Capital Assets and Debt Administration

Capital Assets: Edmonson County's investment in capital assets for its government and business-type activities as of June 30, 2005, amount to \$2,779,743 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for park improvements. Edmonson County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2005 fiscal year included the construction of a new concession building at Chalybeate Park.

Additional information of the County's capital assets can be found in Note 5 of this report.

Edmonson County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Capital Assets and Debt Administration (Continued)

TABLE 3
EDMONSON COUNTY'S CAPITAL ASSETS,
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Infrastructure Assets	\$	\$ 136,921	\$	\$	\$	\$ 136,921
Land and Land Improvements	602,269	602,269			602,269	602,269
Construction In Progress		32,934				32,934
Buildings	367,894	356,697	1,241,080	1,215,520	1,608,974	1,572,217
Vehicles & Equip.	346,946	435,402			346,946	435,402
Total Net Capital Assets	\$ 1,317,109	\$ 1,564,223	\$ 1,241,080	\$ 1,215,520	\$ 2,558,189	\$ 2,779,743

Long-Term Debt: At the end of the 2005 fiscal year, Edmonson County had total bonded debt outstanding of \$1,140,000 from Courthouse Annex Bonds (PPC).

Other Matters: The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- The Jail Fund costs were considered when preparing the budget, and health, liability, and worker's comp insurance premiums continue to cause concerns.
- Expanding the Industrial Park shows economic growth for the County.
- The County is also seeking funding to build a Technology and Economic Development Center.
- The County will join a Drug Task Force with Barren County this year
- As a small county, Edmonson County has been able to grow and maintain the same level of services even though we do not have an insurance or occupational tax.

Requests for Information: The financial report is designed to provide a general overview of Edmonson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional information should be addressed to the Edmonson County Treasurer, P.O. Box 353, Brownsville, Ky. 42210.

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EDMONSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

EDMONSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,644,481	\$ 32,640	\$ 1,677,121
Receivables	21,830		21,830
Assets Held For Resale	176,824		176,824
Total Current Assets	<u>1,843,135</u>	<u>32,640</u>	<u>1,875,775</u>
Noncurrent Assets:			
Receivables	24,036		24,036
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	32,934		32,934
Land and Land Improvements	602,269		602,269
Buildings	356,697	1,215,520	1,572,217
Vehicles and Equipment	435,402		435,402
Infrastructure Assets - Net of Depreciation	136,921		136,921
Total Noncurrent Assets	<u>1,588,259</u>	<u>1,215,520</u>	<u>2,803,779</u>
Total Assets	<u>3,431,394</u>	<u>1,248,160</u>	<u>4,679,554</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	205,197		205,197
Bonds Payable		60,000	60,000
Total Current Liabilities	<u>205,197</u>	<u>60,000</u>	<u>265,197</u>
Noncurrent Liabilities:			
Financing Obligations Payable	22,985		22,985
Bonds Payable		1,080,000	1,080,000
Total Noncurrent Liabilities	<u>22,985</u>	<u>1,080,000</u>	<u>1,102,985</u>
Total Liabilities	<u>228,182</u>	<u>1,140,000</u>	<u>1,368,182</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,558,731	75,520	1,634,251
Restricted For:			
Capital Projects	153,715		153,715
Debt Service		32,640	32,640
Unrestricted	<u>1,490,766</u>		<u>1,490,766</u>
Total Net Assets	<u>\$ 3,203,212</u>	<u>\$ 108,160</u>	<u>\$ 3,311,372</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

EDMONSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

		Program Revenues Received			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,035,651	\$ 14,856	\$ 547,206	\$ 157,679	
Protection to Persons and Property	333,169	19,972	63,106	84,274	
General Health and Sanitation	130,733		27,970		
Social Services	12,553		3,000		
Recreation and Culture	333,946	50,029		34,937	
Roads	889,541		822,441	200,000	
Interest On Financing Obligations	3,243				
Total Governmental Activities	2,738,836	84,857	1,463,723	476,890	
Business-type Activities:					
Public Properties Corporation	247,941	52,090			
Total Business-type Activities	247,941	52,090			
Total Primary Government	\$ 2,986,777	\$ 136,947	\$ 1,463,723	\$ 476,890	

General Revenues:

Taxes:

Real and Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Of Tax Payments

Miscellaneous Revenues

Reimbursements

Investment Income

Gain On Sale Of Asset Held For Resale

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

EDMONSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (315,910)	\$	\$ (315,910)
(165,817)		(165,817)
(102,763)		(102,763)
(9,553)		(9,553)
(248,980)		(248,980)
132,900		132,900
(3,243)		(3,243)
<u>(713,366)</u>		<u>(713,366)</u>
	(195,851)	(195,851)
	<u>(195,851)</u>	<u>(195,851)</u>
\$ (713,366)	\$ (195,851)	\$ (909,217)
472,528		472,528
101,595		101,595
34,150		34,150
66,802		66,802
15,681		15,681
220,629		220,629
65,858	34,900	100,758
6,634		6,634
	<u>3,279</u>	<u>3,279</u>
<u>983,877</u>	<u>38,179</u>	<u>1,022,056</u>
270,511	(157,672)	112,839
<u>2,932,701</u>	<u>265,832</u>	<u>3,198,533</u>
\$ <u>3,203,212</u>	\$ <u>108,160</u>	\$ <u>3,311,372</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

EDMONSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 938,727	\$ 534,465	\$ 171,289	\$ 1,644,481
Total Assets	<u>\$ 938,727</u>	<u>\$ 534,465</u>	<u>\$ 171,289</u>	<u>\$ 1,644,481</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 61,963	\$ 126,758	\$ 19,016	\$ 207,737
Unreserved:				
General Fund	876,764			876,764
Special Revenue Funds		<u>407,707</u>	<u>152,273</u>	<u>559,980</u>
Total Fund Balances	<u>\$ 938,727</u>	<u>\$ 534,465</u>	<u>\$ 171,289</u>	<u>\$ 1,644,481</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 1,644,481
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Governmental Funds.	2,187,394
Accumulated Depreciation	(623,171)
Assets Held For Resale	176,824
Receivable Is Not Due and Collectible in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Ambulance Service's Amount Due For Debt Service On Financing Oblig	45,866
Short-term and Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds.	
Financing Obligations Principal	<u>(228,182)</u>
Net Assets Of Governmental Activities	<u>\$ 3,203,212</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Non- Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 596,921	\$	\$	\$ 596,921
In Lieu Tax Payments	66,802			66,802
Licenses and Permits	10,776			10,776
Intergovernmental	849,490	1,001,367	101,108	1,951,965
Charges for Services	41,072		19,972	61,044
Miscellaneous	203,558	1,596	69,296	274,450
Interest	26,342	28,379	11,137	65,858
Total Revenues	<u>1,794,961</u>	<u>1,031,342</u>	<u>201,513</u>	<u>3,027,816</u>
EXPENDITURES				
General Government	902,433			902,433
Protection to Persons and Property	190,357		208,694	399,051
General Health and Sanitation	118,826		4,000	122,826
Social Services	5,853		6,700	12,553
Recreation and Culture	90,378		276,502	366,880
Roads		1,330,864	11,575	1,342,439
Debt Service	25,104			25,104
Administration	126,773	62,174	3,279	192,226
Total Expenditures	<u>1,459,724</u>	<u>1,393,038</u>	<u>510,750</u>	<u>3,363,512</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>335,237</u>	<u>(361,696)</u>	<u>(309,237)</u>	<u>(335,696)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		275,000		275,000
Transfers From Other Funds	120,488		140,000	260,488
Transfers To Other Funds	(140,000)	(120,488)		(260,488)
Proceeds From Sale Of Asset Held For Resale		93,930		93,930
Total Other Financing Sources (Uses)	<u>(19,512)</u>	<u>248,442</u>	<u>140,000</u>	<u>368,930</u>
Net Change in Fund Balances	315,725	(113,254)	(169,237)	33,234
Fund Balances - Beginning (Restated)	<u>623,002</u>	<u>647,719</u>	<u>340,526</u>	<u>1,611,247</u>
Fund Balances - Ending	<u>\$ 938,727</u>	<u>\$ 534,465</u>	<u>\$ 171,289</u>	<u>\$ 1,644,481</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

EDMONSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 33,234
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	317,012
Depreciation Expense	(69,898)
Purchase Of Assets Held For Resale	264,120
Value Of Asset Held For Resale Sold	(87,296)
Governmental Funds Report Amounts Collected on Receivables as Revenues. However, in the Statement of Activities the Amount Collected on Receivables Has No Effect on Revenues. The Amount Collected Reduces Receivables Included in Net Assets.	
Ambulance Service's Amount For Debt Service On Financing Obligations Collected	(25,103)
The Issuance of Short-term Debt (e.g. Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Short-term and Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligation Proceeds	(275,000)
Financing Obligations Principal Payments	113,442
Change in Net Assets of Governmental Activities	<u>\$ 270,511</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

EDMONSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activity <hr/> Enterprise Fund <hr/> Public Properties Corporation Fund <hr/>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 32,640
Total Current Assets	<u>32,640</u>
Noncurrent Assets:	
Capital Assets:	
Buildings	1,420,000
Less Accumulated Depreciation	<u>(204,480)</u>
Total Noncurrent Assets	<u>1,215,520</u>
Total Assets	<u>1,248,160</u>
Liabilities	
Current Liabilities:	
Bonds Payable	<u>60,000</u>
Total Current Liabilities	<u>60,000</u>
Noncurrent Liabilities:	
Bonds Payable	<u>1,080,000</u>
Total Noncurrent Liabilities	<u>1,080,000</u>
Total Liabilities	<u>1,140,000</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	75,520
Restricted For:	
Debt Service	<u>32,640</u>
Total Net Assets	<u><u>\$ 108,160</u></u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activity
	Enterprise Fund
	Public Properties Corporation Fund
Operating Revenues	
Intergovernmental	\$ 52,090
Total Operating Revenues	<u>52,090</u>
Operating Expenses	
Depreciation	25,560
Miscellaneous	<u>12,466</u>
Total Operating Expenses	<u>38,026</u>
Operating Income	<u>14,064</u>
Nonoperating Revenues (Expenses)	
Investment Income	34,900
Debt Service:	
Interest Payments	(51,166)
Accrued Interest Received	3,279
Expenses of Bond Issuance	(49,424)
Payment To Refunded Bond Escrow Agent	<u>(109,325)</u>
Total Nonoperating Revenues (Expenses)	<u>(171,736)</u>
Change In Net Assets	(157,672)
Total Net Assets - Beginning	<u>265,832</u>
Total Net Assets - Ending	<u>\$ 108,160</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

EDMONSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activity
	Enterprise Fund
	Public Properties Corporation Fund
Cash Flows From Operating Activities	
Intergovernmental	\$ 52,090
Miscellaneous	(12,466)
Net Cash Provided By Operating Activities	<u>39,624</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds From Refunding Bonds	1,190,000
Discount On Refunding Bonds	(23,800)
Payment To Refunded Bonds Escrow Agent	(1,324,325)
Accrued Interest Received	3,279
Cost of Bond Issuance	(25,624)
Principal Paid On Capital Debt	(50,000)
Interest Paid On Capital Debt	(51,166)
Net Cash Used By Capital and Related Financing Activities	<u>(281,636)</u>
Cash Flows From Investing Activities	
Interest Earned	5,695
Dividends Earned	1,302
Gain On Investments	27,903
Net Cash Provided By Investing Activities	<u>34,900</u>
Net Decrease in Cash and Cash Equivalents	(207,112)
Cash and Cash Equivalents - July 1, 2004	<u>239,752</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 32,640</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 14,064
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>25,560</u>
Net Cash Provided By Operating Activities	<u><u>\$ 39,624</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Edmonson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Unit

Edmonson County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the PPC is blended within Edmonson County's financial statements. All activities of the PPC are accounted for within a major enterprise fund.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Edmonson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Edmonson County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. A separate financial statement is not provided for fiduciary funds, since assets and liabilities were \$0 as of June 30, 2005. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, and Parks and Recreation Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, and Parks and Recreation Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

**EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenue of the county's enterprise fund is charges for rent in the Edmonson County Public Properties Corporation Fund. Operating expenses for the enterprise fund include administrative expenses and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Edmonson County Public Properties Corporation (PPC) - The PPC accounts for the activities of the PPC, a blended component unit of the Fiscal Court. The PPC issued debt to build facilities and additions to the justice center. The PPC entered into a contract, lease, and option with the Fiscal Court and Administrative Office of the Courts (AOC), Commonwealth of Kentucky.

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Room Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Room Tax Fund - This fund accounts for funds received from lodging establishments and remitted to the Edmonson County Tourism Commission. As of June 30, 2005, the Room Tax Fund's assets and liabilities were \$0.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets Held For Resale

Assets held for resale, which include vehicles that have been purchased with the intent to sell within one year, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost when purchased.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 75,000	10-75
Building Improvements	\$ 50,000	10-60
Machinery and Equipment	\$ 15,000	3-25
Vehicles	\$ 15,000	3-10
Infrastructure	\$ 50,000	10-50
Office Equipment	\$ 10,000	3-15

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the following are considered related organizations of Edmonson County Fiscal Court: Edmonson County Industrial Authority, Inc., Edmonson County Ambulance Service, and Edmonson County Recreational Tax Commission.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based upon these criteria, the Edmonson County-City of Brownsville Planning and Zoning Commission is considered a joint venture of the Edmonson County Fiscal Court.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$	\$ 264,120	\$ (87,296)	\$ 176,824
Total Assets Held For Resale	\$	\$ 264,120	\$ (87,296)	\$ 176,824

Note 4. Receivable

The Edmonson County Fiscal Court has entered into two financing obligations on the behalf of the Edmonson County Ambulance Service for the purpose of providing funds for the financing of the purchase of ambulances. The Edmonson County Ambulance Service has agreed to pay all debt service requirements on the two financing obligations. Future amounts due to Edmonson County Fiscal Court are:

Fiscal Year Ended June 30	Governmental Activities		
	Ambulance	Ambulance	Total
2006	\$ 7,410	\$ 14,420	\$ 21,830
2007		14,421	14,421
2008		9,615	9,615
Totals	\$ 7,410	\$ 38,456	\$ 45,866

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 602,269	\$	\$	\$ 602,269
Construction In Progress		32,934		32,934
Total Capital Assets Not Being Depreciated	602,269	32,934		635,203
Capital Assets, Being Depreciated:				
Buildings	622,080			622,080
Vehicles and Equipment	646,033	137,377		783,410
Infrastructure		146,701		146,701
Total Capital Assets Being Depreciated	1,268,113	284,078		1,552,191
Less Accumulated Depreciation For:				
Buildings	(254,186)	(11,197)		(265,383)
Vehicles and Equipment	(299,087)	(48,921)		(348,008)
Infrastructure		(9,780)		(9,780)
Total Accumulated Depreciation	(553,273)	(69,898)		(623,171)
Total Capital Assets, Being Depreciated, Net	714,840	214,180		929,020
Governmental Activities Capital Assets, Net	<u>\$ 1,317,109</u>	<u>\$ 247,114</u>	<u>\$ 0</u>	<u>\$ 1,564,223</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 1,420,000	\$	\$	\$ 1,420,000
Total Capital Assets Being Depreciated	1,420,000			1,420,000
Less Accumulated Depreciation For:				
Buildings	(178,920)	(25,560)		(204,480)
Total Accumulated Depreciation	(178,920)	(25,560)		(204,480)
Total Capital Assets, Being Depreciated, Net	1,241,080	(25,560)		1,215,520
Business-Type Activities Capital Assets, Net	<u>\$ 1,241,080</u>	<u>\$ (25,560)</u>	<u>\$ 0</u>	<u>\$ 1,215,520</u>

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 6,445
Protection to Persons and Property	4,414
General Health and Sanitation	7,907
Roads, Including Depreciation of General Infrastructure Assets	<u>51,132</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 69,898</u>

Business-Type Activities

Public Properties Corporation Fund	<u>\$ 25,560</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 25,560</u>

Note 6. Short-term Debt

A. Kentucky Association of Counties Advance Revenue Program

In July 2004, Edmonson County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$987,500, with principal being due in January 2005. While the Fiscal Court did not use borrowed funds in order to meet current General Fund expenditures, they were able to reinvest the funds and receive net interest earnings of \$3,033.

B. Mack Truck

On September 2, 2004, Edmonson County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust (KADD) in the amount of \$90,000, with principal being due on August 20, 2005. The interest rate was 2.25%. The Fiscal Court used borrowed funds to purchase a Mack truck for the road department. The borrowed funds were repaid on June 16, 2005.

C. Mack Trucks

On June 8, 2005, the Edmonson County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust (KADD) in the amount of \$185,000, with principal being due on July 1, 2006. The interest rate was 3.25%. The Fiscal Court used borrowed funds to purchase two Mack trucks for the road department. Principal outstanding as of June 30, 2005 totaled \$185,000.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 6. Short-term Debt (Continued)

D. Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Kentucky Advanced Revenue Program	\$	\$ 987,500	\$ 987,500	\$	\$
Financing Obligations		275,000	90,000	185,000	185,000
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 1,262,500</u>	<u>\$ 1,077,500</u>	<u>\$ 185,000</u>	<u>\$ 185,000</u>

Note 7. Long-term Debt

A. First Mortgage Revenue Bonds, Series 1997

On October 1, 2004, the Edmonson County Public Properties Corporation advance refunded the First Mortgage Revenue Bonds, 1997 Series, issued by the Edmonson County Public Properties Corporation. Payments due after October 1, 2004 were paid from the escrow account. The bonds will be called on March 1, 2007. Total bonds outstanding as of June 30, 2005 totaled \$1,175,000. As of June 30, 2005, the escrow account had a balance of \$1,262,070.

B. First Mortgage Revenue Refunding Bonds, Series 2004

On October 1, 2004, the Edmonson County Public Properties Corporation issued \$1,190,000 of First Mortgage Revenue Refunding Bonds to advance refund the First Mortgage Revenue Bonds, Series 1997, issued by the Edmonson County Public Properties Corporation for the construction of the Courthouse Annex. The 2004 series bonds were issued at various rates from 2.00% through 4.40%. The final maturity date of the 2004 series bonds is March 1, 2023. Total bonds outstanding as of June 30, 2005 totaled \$1,140,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2006	\$ 60,000	\$ 41,153
2007	60,000	39,953
2008	60,000	48,453
2009	60,000	36,953
2010	65,000	35,153
2011-2015	305,000	144,205
2016-2020	335,000	85,142
2021-2023	195,000	16,060
Totals	<u>\$ 1,140,000</u>	<u>\$ 447,072</u>

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 7. Long-term Debt (Continued)

C. Ambulances

On February 14, 2001, Edmonson County Fiscal Court, on behalf of the Edmonson County Ambulance Service, entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purpose of providing funds for financing the purchase of an ambulance. The original principal amount was for \$62,950. The termination date of the agreement is February 20, 2006. The Edmonson County Ambulance Service has agreed to pay all debt service requirements. Principal outstanding as of June 30, 2005 totaled \$7,299. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	\$ 7,299	\$ 111

D. Ambulances

On January 15, 2003, Edmonson County Fiscal Court, on behalf of the Edmonson County Ambulance Service, entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purpose of providing funds for financing the purchase of an ambulance. The original principal amount was for \$65,000. The termination date of the agreement is February 20, 2008. The Edmonson County Ambulance Service has agreed to pay all debt service requirements. Principal outstanding as of June 30, 2005 totaled \$35,883. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 12,898	\$ 1,522
2007	13,560	861
2008	9,425	190
Totals	\$ 35,883	\$ 2,573

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 66,624	\$	\$ 23,442	\$ 43,182	\$ 20,197
Governmental Activities Long-term Liabilities	\$ 66,624	\$ 0	\$ 23,442	\$ 43,182	\$ 20,197

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 7. Long-term Debt (Continued)

E. Changes In Long-term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2005, was as follows: (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$1,215,000	\$	\$1,215,000	\$	\$
Revenue Refunding Bonds		1,190,000	50,000	1,140,000	60,000
Business-Type Activities					
Long-term Liabilities	<u>\$1,215,000</u>	<u>\$1,190,000</u>	<u>\$1,265,000</u>	<u>\$1,140,000</u>	<u>\$ 60,000</u>

Note 8. Contingent Liability

On April 30, 2004, the Edmonson County Industrial Authority entered into a loan agreement with South Central Bank, Glasgow, Kentucky in the amount of \$1,000,000 for Spec Building #2. The termination date of the loan is May 31, 2009. The bank required the Edmonson County Fiscal Court to guarantee 40% (\$421,000) of the loan should the Edmonson County Industrial Authority default.

Note 9. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 10. Courthouse Windows Reimbursement

On June 13, 2005, Edmonson County Fiscal Court (Fiscal Court) received \$153,715 from Administrative Office Of The Courts, Commonwealth of Kentucky, to finance the replacement of the courthouse windows. The Fiscal Court did not expend any of these funds during fiscal year 2005, so the unexpended balance as of June 30, 2005, was \$153,715. These funds are legally restricted to be used for this project.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

Note 11. Deferred Compensation

On March 12, 2003, the Edmonson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 12. Insurance

For the fiscal year ended June 30, 2005, Edmonson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 13. Prior Period Adjustments

The beginning net asset balances as of June 30, 2004 for governmental activities of Edmonson County Fiscal Court have been restated due to correction of errors. The following is a reconciliation of net assets as of June 30, 2004, as previously reported to the restated net assets balance for the same period.

	Governmental Activities	Business-type Activities
Beginning balance	\$ 3,288,003	\$ 265,832
Adjustments:		
Adjustment for prior year voided checks	121	
Adjustment for captial assets (net of accumulated depreciation) previously included by error	(359,769)	
Adjustment for receivables previously omitted	4,346	
Restated beginning balance	<u>\$ 2,932,701</u>	<u>\$ 265,832</u>

In addition, the beginning fund balance as of June 30, 2004 for the General Fund and Road Fund have been restated by \$88 and \$33, respectively, for prior year voided checks.

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EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2005

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 548,000	\$ 591,013	\$ 596,921	\$ 5,908
In Lieu Tax Payments	58,000	58,000	66,802	8,802
Licenses and Permits	5,900	5,900	10,776	4,876
Intergovernmental Revenue	1,087,683	1,160,766	849,490	(311,276)
Charges for Services	60,000	60,000	41,072	(18,928)
Miscellaneous	120,507	187,587	178,455	(9,132)
Interest	56,427	56,427	37,126	(19,301)
Total Revenues	<u>1,936,517</u>	<u>2,119,693</u>	<u>1,780,642</u>	<u>(339,051)</u>
EXPENDITURES				
General Government	1,319,491	1,280,917	902,433	378,484
Protection to Persons and Property	149,696	282,828	190,357	92,471
General Health and Sanitation	112,340	133,745	118,826	14,919
Social Services		6,000	5,854	146
Recreation and Culture	109,305	109,305	90,378	18,927
Debt Service	1,115,000	1,115,000	998,284	116,716
Administration	188,184	249,397	126,773	122,624
Total Expenditures	<u>2,994,016</u>	<u>3,177,192</u>	<u>2,432,905</u>	<u>744,287</u>
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,057,499)</u>	<u>(1,057,499)</u>	<u>(652,263)</u>	<u>405,236</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	120,488	120,488	120,488	
Transfers To Other Funds	(172,133)	(172,133)	(140,000)	32,133
Borrowed Money	<u>1,100,000</u>	<u>1,100,000</u>	<u>987,500</u>	<u>(112,500)</u>
Total Other Financing Sources (Uses)	<u>1,048,355</u>	<u>1,048,355</u>	<u>967,988</u>	<u>(80,367)</u>
Net Changes in Fund Balance	(9,144)	(9,144)	315,725	324,869
Fund Balance - Beginning	<u>9,144</u>	<u>9,144</u>	<u>623,002</u>	<u>613,858</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 938,727</u>	<u>\$ 938,727</u>

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

**Reconciliation of Budgetary Statement to Statement of Revenues, Expenditures, and
Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Statement	\$ 1,780,642	
Debt Service Payments Made By Ambulance Service	25,103	
Kentucky Advanced Revenue Program - Interest	<u>(10,784)</u>	\$ 1,794,961
Total Expenditures per Budgetary Statement	(2,432,905)	
Debt Service Payments Made By Ambulance Service	(25,103)	
Kentucky Advanced Revenue Program	987,500	
Kentucky Advanced Revenue Program - Interest	<u>10,784</u>	(1,459,724)
Other Financing Sources (Uses) per Budgetary Statement	967,988	
Kentucky Advanced Revenue Program	<u>(987,500)</u>	(19,512)
Beginning Fund Balance per Budgetary Statement		<u>623,002</u>
Ending Fund Balance per Budgetary Statement and Statement of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 938,727</u></u>

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 751,321	\$ 1,013,794	\$ 1,001,367	\$ (12,427)
Miscellaneous	45,573	45,573	95,526	49,953
Interest	25,000	25,000	28,374	3,374
Total Revenues	821,894	1,084,367	1,125,267	40,900
EXPENDITURES				
Roads	850,600	1,148,455	1,061,260	87,195
Debt Service	306,000	306,000		306,000
Capital Projects	10,000	1,800		1,800
Administration	75,654	69,472	62,174	7,298
Total Expenditures	1,242,254	1,525,727	1,123,434	402,293
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(420,360)	(441,360)	1,833	443,193
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(120,488)	(120,488)	(120,488)	
Borrowed Money	365,000	365,000		(365,000)
Total Other Financing Sources (Uses)	244,512	244,512	(120,488)	(365,000)
Net Changes in Fund Balance	(175,848)	(196,848)	(118,655)	78,193
Fund Balance - Beginning	175,848	196,848	647,719	450,871
Fund Balance - Ending	\$ 0	\$ 0	\$ 529,064	\$ 529,064

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

Changes In Fund Balances - Governmental Funds - Modified Cash Basis:

Total Revenues per Budgetary Statement	\$ 1,125,267	
Interest On Funds Held By Kentucky Area		
Development Districts Financing Trust	5	
Proceeds From Sale Of Asset Held For Resale	<u>(93,930)</u>	\$ 1,031,342
Total Expenditures per Budgetary Statement	(1,123,434)	
Expenditures Made From Funds Held By Kentucky		
Area Development Districts Financing Trust	<u>(269,604)</u>	(1,393,038)
Other Financing Sources (Uses) per Budgetary Statement	(120,488)	
Financing Obligations Proceeds Held By Kentucky		
Area Development Districts Financing Trust	<u>275,000</u>	154,512
Special Item per Budgetary Statement		
Proceeds From Sale Of Asset Held For Resale	<u>93,930</u>	93,930
Beginning Fund Balance per Budgetary Statement		<u>647,719</u>
Ending Fund Balance per Budgetary Statement	529,064	
Funds Held By Kentucky Area Development		
Districts Financing Trust	<u>5,401</u>	
Ending Fund Balance per Statement of Revenues,		
Expenditures, and Changes in Fund Balances		<u>\$ 534,465</u>

EDMONSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**EDMONSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

EDMONSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Jail Fund	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Parks and Recreation Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 7,637	\$ 47,698	\$ 66,476	\$ 49,478	\$ 171,289
Total Assets	<u>\$ 7,637</u>	<u>\$ 47,698</u>	<u>\$ 66,476</u>	<u>\$ 49,478</u>	<u>\$ 171,289</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 1,185	\$ 6,200	\$	\$ 11,631	\$ 19,016
Unreserved:					
Special Revenue Funds	<u>6,452</u>	<u>41,498</u>	<u>66,476</u>	<u>37,847</u>	<u>152,273</u>
Total Fund Balances	<u>\$ 7,637</u>	<u>\$ 47,698</u>	<u>\$ 66,476</u>	<u>\$ 49,478</u>	<u>\$ 171,289</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

EDMONSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Jail Fund	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Parks and Recreation Fund
REVENUES				
Intergovernmental	\$ 45,096	\$ 21,074	\$	\$ 34,938
Charges for Services	19,972			
Miscellaneous				69,296
Interest		1,445	5,862	3,830
Total Revenues	<u>65,068</u>	<u>22,519</u>	<u>5,862</u>	<u>108,064</u>
EXPENDITURES				
Protection to Persons and Property	206,626	2,068		
General Health and Sanitation		4,000		
Social Services		6,700		
Recreation and Culture				276,502
Roads		11,575		
Administration	3,279			
Total Expenditures	<u>209,905</u>	<u>24,343</u>		<u>276,502</u>
Excess (Deficiency) of Revenues				
Expenditures	<u>(144,837)</u>	<u>(1,824)</u>	<u>5,862</u>	<u>(168,438)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	140,000			
Total Other Financing Sources (Uses)	<u>140,000</u>			
Net Change in Fund Balances	(4,837)	(1,824)	5,862	(168,438)
Fund Balances - Beginning	<u>12,474</u>	<u>49,522</u>	<u>60,614</u>	<u>217,916</u>
Fund Balances - Ending	<u>\$ 7,637</u>	<u>\$ 47,698</u>	<u>\$ 66,476</u>	<u>\$ 49,478</u>

The accompanying notes are an integral part of the financial statements.

EDMONSON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Other Supplementary Information
 For The Year Ended June 30, 2005
 (Continued)

Total Non-Major Governmental Funds	
\$	101,108
	19,972
	69,296
	11,137
	<u>201,513</u>
	208,694
	4,000
	6,700
	276,502
	11,575
	3,279
	<u>510,750</u>
	<u>(309,237)</u>
	140,000
	<u>140,000</u>
	(169,237)
	<u>340,526</u>
\$	<u>171,289</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive
Members of the Edmonson County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 23, 2006. Edmonson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edmonson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Edmonson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 23, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

EDMONSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
EDMONSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Edmonson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer